

Message Text

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PAGE 01 JAKART 06740 231307Z
ACTION NODS-00

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S E C R E T JAKARTA 6740

NODIS

FOR ASST SECRETARY HOLBROOKE FROM AMBASSADOR MASTERS

E.O. 11652: GDS
TAGS: OVIP (MONDALE, WALTER F.), MASS, EAID, PEPR, ID
SUBJECT: FOLLOW-UP TO VICE PRESIDENT'S VISIT TO INDONESIA

REF: (A) STATE 127388, (B) JAKARTA 6252, (C) JAKARTA 1874

1. FOLLOWING IS MY RESPONSE TO PARA 2 OF REFTTEL A CONCERNING
MILITARY MODERNIZATION.

2. REGARDING THE REQUEST FOR CLARIFICATION OF "THE PERIOD
OVER WHICH THE GOVERNMENT OF INDONESIA IDENTIFIES THE
\$145 MILLION SHORTFALL", WE REGARD THE NEED AS IMMEDIATE
(FY 79) EXTENDING THROUGH US FY 81. WITHOUT THE ADDITIONAL
\$45 MILLION BEING AVAILABLE WITHIN THAT PERIOD, IT IS
UNLIKELY THAT THE GOI WILL BE ABLE TO ACCOMPLISH, IN THE
NEAR TERM, ALL PLANNED HIGH PRIORITY ACQUISITIONS; I.E.,
F-5, A-4 AND THE M-16 COPRODUCTION FACILITY. THE RESPECTIVE
MINIMUM REPEAT MINIMUM ESTIMATED COSTS OF THESE ITEMS
ARE: F-5, \$96 MILLION; A-4, \$25 MILLION; AND THE M-16
FACILITY, \$55 MILLION. THE F-5 ALONE WILL ABSORB ALL THE
AVAILABLE AND PROPOSED CREDITS THROUGH FY79 (\$93.1 MILLION)
WITH A \$3 MILLION SHORTFALL. THE GOI BELIEVES THAT THE
A-4 AND M-16 PURCHASES ARE OF SUCH IMPORTANCE THAT THEY

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SHOULD NOT BE DELAYED UNTIL FY80 AND AFTER BEFORE CONTRACTS
ARE COMPLETED. WE AGREE. IT IS QUESTIONABLE THAT THE GOI
COULD OR WOULD ENTER SUCH CONTRACTS WITHOUT THE ASSURANCE
OF THE ADDITIONAL \$45 MILLION BEING AVAILABLE BETWEEN NOW
AND FY 81.

3. (COMMENT: BASED UPON RECENT STATEMENTS TO US BY GOI

AUTHORITIES, THE "\$175 MILLION OVER FIVE YEARS" MENTIONED BY AMBASSADOR ASHARI APPEARS TO REFLECT THE TOTAL COST OF THE LARGER ORIGINAL PACKAGE REFERRED TO IN REFTEL C. FURTHER PRECISE FIGURING OF THESE COSTS PLACES THIS FIGURE CLOSER TO \$190 MILLION AT THIS TIME.)

4. IN THE ABSENCE OF A POSSIBLE SUPPLEMENT TO THE FY 78 CREDIT ALREADY OFFERED, I BELIEVE IT IS EXTREMELY IMPORTANT THAT THE FY 79 LEVEL BE INCREASED BY AT LEAST \$25 MILLION. THIS WOULD COVER THE A-4 PURCHASES EN TOTO OR COULD BE SPLIT BETWEEN THE A-4 AND M-16 FACILITY. THE BALANCE OF \$20 MILLION COULD THEN BE ADDED TO THE FY 80 CREDITS. I BELIEVE STRONGLY THAT TO ASK THE GOI TO WAIT UNTIL FY 80 FOR THE FIRST TANGIBLE EVIDENCE OF THE STATED USG CONCERN FOR INDONESIA WOULD SERIOUSLY ERODE THE GREAT GOODWILL TOWARDS THE U.S. ESTABLISHED DURING THE VICE PRESIDENT'S VISIT.

5. REFTEL A ASKS FOR MY EVALUATION OF THE ESSENTIAL LEVEL WE MUST REACH TO PRESERVE THE CONFIDENCE AND GOODWILL ESTABLISHED DURING THE VISIT. THAT LEVEL IS \$45 MILLION. WE ARE DEALING HERE WITH A PROUD AND SENSITIVE INDONESIAN WHO BELIEVES (AS WE DO) THAT WHAT HE HAS ASKED FOR IS REASONABLE AND CAN BE JUSTIFIED. THIS IS NOT REPEAT NOT LIKE THE BLOATED SHOPPING LISTS WE HAVE RECEIVED IN THE PAST. WE ARE ALSO DEALING WITH THE OUTCOME OF A SERIOUS DISCUSSION BETWEEN THE VICE PRESIDENT OF THE UNITED STATES
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AND THE PRESIDENT OF INDONESIA. I DO NOT REPEAT NOT BELIEVE IT WOULD BE CONSISTENT WITH OUR TRADITIONS, OUR IMAGE, OR OUR ROLE IN THE AREA TO TRY TO BEAT SUHARTO DOWN FROM \$45 MILLION TO \$39.98 MILLION OR SOME OTHER FIGURE.

6. IN SUMMARY, WHILE YOU AND I BOTH FULLY REALIZE THE DIFFICULT ISSUE FACED IN THIS REQUEST FOR MORE FUNDS FOR INDONESIA'S MILITARY MODERNIZATION, I WOULD STRESS AGAIN THE GREAT IMPORTANCE THE INDONESIANS ATTACH TO IT. IT IS A MODEST REQUEST, NOT DESIGNED, AS WE SEE IT, TO CONFLICT WITH THE PRESIDENT'S POLICY REGARDING PROLIFERATION OF ARMS OR THE ACQUISITION OF SOPHISTICATED WEAPONS. IT REPRESENTS A REAL NEED ON PART OF THE INDONESIANS. AS REPORTED IN REFTEL B, \$100 MILLION ADDITIONAL CREDITS THROUGH FY 80 IS THE AMOUNT WE ESTIMATE AS BEING REQUIRED TO SUPPORT ALL LONG-STANDING GOI MILITARY ACQUISITION PRIORITIES, BUT SUHARTO TRIMMED HIS REQUEST TO US TO THE BONE. I BELIEVE IT IS MOST IMPORTANT TO OUR INTERESTS IN INDONESIA THAT WE FIND A WAY TO MEET THIS REQUEST.
MASTERS

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